

# HOUSE BILL REPORT

## HB 1591

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**As Reported by House Committee On:**  
Transportation

**Title:** An act relating to the use of certain transportation benefit district funds.

**Brief Description:** Concerning the use of certain transportation benefit district funds.

**Sponsors:** Representatives Upthegrove, Clibborn, Simpson and Liias.

**Brief History:**

**Committee Activity:**

Transportation: 2/10/09, 2/18/09 [DPS].

**Brief Summary of Substitute Bill**

- Provides that a transportation improvement project may be contained in the transportation plan of a city, county, or other eligible jurisdiction.
- Allows impact fees to be imposed for transportation improvements constructed by any entity, and removes the requirement that improvements be constructed by the transportation benefit district itself.
- Authorizes the imposition of voter-approved sales and use taxes beyond the 10-year limitation, but not to exceed 30 years, without requiring additional voter approval if the tax revenues are dedicated to the repayment of general obligation bonds.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Clibborn, Chair; Liias, Vice Chair; Driscoll, Eddy, Finn, Flannigan, Moeller, Rolfes, Sells, Simpson, Springer, Takko, Wallace, Williams and Wood.

**Minority Report:** Do not pass. Signed by 9 members: Representatives Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Campbell, Ericksen, Herrera, Johnson, Kristiansen and Shea.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Kathryn Leathers (786-7114)

**Background:**

A transportation benefit district (TBD or district) is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district.

A "transportation improvement" means any project contained in the transportation plan of the state or regional transportation planning organization, and may include investments in city streets, county roads, new or existing highways of statewide significance, principal arterials of regional significance, high capacity transportation, public transportation, and other transportation projects and programs of regional or statewide significance, as well as the operation, preservation, and maintenance of these facilities or programs. The proposed improvement must also be consistent with any state, regional, and local transportation plan, and must be necessitated by existing or reasonably foreseeable congestion.

When establishing the district's area, the county or city proposing to create the TBD may only include other jurisdictions through interlocal agreements. The TBD may include areas within more than one county, city, port district, county transportation authority, or public transportation benefit area. A TBD may be comprised of less than the entire area within each participating jurisdiction.

The legislative authorities proposing to establish a district, or to modify the boundaries of an existing district, must first issue public notice of that intent and then hold a public hearing. Following the public hearing, the district may be formed or modified if the legislative authorities find that such action is in the public interest and if an ordinance providing for such action is adopted.

A TBD is governed by the legislative authority of the jurisdiction proposing to create it, or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. If a TBD includes more than one jurisdiction, the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions. Port districts and transit districts may participate in the establishment of a TBD but may not initiate district formation.

Certain issues require a TBD to take additional accountability steps. The governing body must develop a material change policy to address major plan changes that affect project delivery, cost, or scope, or the ability to finance the plan. If project costs exceed original costs by more than 20 percent, there must be a public hearing to solicit comment on how the cost change should be resolved. Revenue rates, once imposed, may not be increased unless authorized by voter approval.

Any transportation improvement by a TBD is owned by the jurisdiction where the improvement is located or by the state if the improvement is a state highway. A TBD dissolves and ceases to exist 30 days after the financing or debt service on the improvement

project is completed and paid. If there is no debt service on the project, the district must dissolve within 30 days from the date construction of the improvement is completed.

#### Revenue Measures Generally.

The TBDs have independent taxing authority to implement the following revenue measures, all of which are subject to voter approval:

- a local sales and use tax of up to 0.2 percent;
- a local annual vehicle fee of up to \$100 on vehicle license renewals, \$20 of which may be imposed without voter approval;
- excess property taxes, for a period of up to one year; and
- tolls, subject to legislative authorization and approval by the Washington State Transportation Commission if imposed on state routes.

The TBDs may impose the following revenue measures without voter approval:

- transportation impact fees on commercial and industrial development; and
- except for passenger-only ferry improvements, up to \$20 in local annual vehicle license renewals.

Unless approved by the voters, a sales tax may not be imposed for a period exceeding 10 years. In no event may a sales tax be imposed for more than 20 years. The TBDs may issue general obligation and revenue bonds. In addition, TBDs may form local improvement districts (LID) to provide transportation improvements, and may impose special assessments on all property specially benefitted by the improvements. The district may form a LID only if a petition process is used, which requires that property owners representing a majority of the area within the proposed LID initiate a petition process.

#### Transportation Impact Fees.

Transportation impact fees are charges imposed by local governments on new development projects for the purpose of mitigating off-site transportation impacts that are a direct result of the proposed development. A TBD is authorized to impose impact fees on the construction of commercial or industrial buildings, or the development of land for commercial purposes. The impact fees must be used exclusively for transportation improvements constructed by the district, and must be reasonably necessary as a result of the construction or development. If a county or city within the district is levying a fee for a transportation improvement, the fee must be credited against the amount of the fee imposed by the district.

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#### **Summary of Substitute Bill:**

It is established that a transportation improvement means, in addition to any project contained in the transportation plan of the state or regional transportation planning organization, any project contained in the transportation plan of a city, county or any jurisdiction eligible to be included in a TBD.

The TBDs are authorized to impose impact fees for transportation improvements within the district that are constructed by any entity, not only for those improvements constructed by the district itself.

A TBD is authorized to impose a voter-approved sales and use tax beyond the 10-year limitation, but not to exceed 30 years, without seeking additional voter approval if the sales and use taxes are dedicated to the repayment of general obligation bonds.

**Substitute Bill Compared to Original Bill:**

It is clarified that the removal of the 10-year limitation for imposing a sales and use tax applies only to voter-approved sales and use taxes that are dedicated to the repayment of general obligation bonds, and that no additional voter approval is required to exceed the 10-year limitation; and it is further clarified that the voter approved sales and use tax may not be imposed for more than 30 years.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Cities and counties are experiencing increasing backlogs in transportation infrastructure projects, and funding is tight at the state level. The Legislature approved TBDs a few years ago as a tool to help local governments address local transportation projects. However, as local governments are starting to use this tool, they are discovering some issues that need to be addressed. This bill addresses those issues, making TBDs a better tool for local governments to address their transportation projects.

This bill broadens the types of projects that may be built by specifying that the project can be listed in a local transportation plan, and does not have to be listed in a state or regional plan. It also makes the existing revenue stream more useful for bonding. An issue related to impact fees was also discovered, and this bill addresses that by allowing impact fees to be imposed in a district regardless of who builds the project.

The TBDs have a very public process, and all material changes to funding of a project must go through the public approval process.

(Opposed) None.

**Persons Testifying:** Representative Upthegrove, prime sponsor; Justin Clay, City of Ridgefield; and Ashley Probart, Association of Washington Cities.

**Persons Signed In To Testify But Not Testifying:** None.